

ST 99-0063-GIL

CHARITABLE GAMES: The entire net proceeds from the sale of pull tabs must be exclusively devoted to the lawful purposes of the licensee (230 ILCS 20/4(1)). See 86 Ill. Adm. Code 432.160. (This is a GIL.)

February 5, 1999

Dear Mr. Xxxxx:

This letter is in response to your letter dated January 12, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

In trying to determine exactly what the proceed from the sale of 'Pull Tab/Jar Games' can be used for, our only reference is the 'Pull tabs and Jar Games Act Rules' dated October 1994. Section 432.160,h) states 'The entire proceeds from the sale of Pull-Tabs must be exclusively devoted to the lawful purpose of the licensee.'

There is a difference of opinion among our officers as to exactly what this means. For example:

-Does the proceeds have to be used solely for charitable and community related activities or can they also be used to pay the Licensees bills? i.e. Utilities, repairs, maintenance, supplies, renovations and other administrative costs.

We would very much like a 'Legal Letter Ruling' regarding this matter.

Thanking you in advance for your assistance in this matter.

86 Ill. Adm. Code 432.160(h), enclosed, states as follows:

"The entire net proceeds from the sale of pull tabs must be exclusively devoted to the lawful purposes of the licensee (Section 4(1) of the Act). The net proceeds (gross proceeds less cash returned to winners) must not be commingled with any other funds belonging to the licensee (except interest paid on the deposited proceeds), and must be deposited into the pull tabs checking account established pursuant to Section 432.180(a)."

The Illinois Pull Tabs and Jar Games Act, 230 ILCS 20/1 et seq., provides in Section 4(1) as follows:

"The entire net proceeds of any pull tabs or jar games except as otherwise approved in this Act, must be exclusively devoted to the lawful purpose of the organization permitted to conduct such drawings."

Both the Bingo License and Tax Act, 230 ILCS 25/1 et seq., and the Charitable Games Act, 230 ILCS 30/1 et seq., have similar provisions. This provision was intended to prohibit use of the funds for purposes outside of the organization's charter and to prohibit proceed splitting.

Generally, the normal expenses of an organization, such as utilities, repairs, maintenance, supplies, renovations and other administrative expenses, would be considered a "lawful purpose".

I hope this information is helpful. The Department of Revenue maintains a Web site which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis
Associate Counsel

MAJ:msk
Enc.